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\$3 Trillion Price Tag Left Out As Bush Details His Agenda

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The expansive agenda President Bush laid out at the Republican National Convention was missing a price tag, but administration figures show the total is likely to be well in excess of \$3 trillion over a decade.

A staple of Bush's stump speech is his claim that his Democratic challenger, John F. Kerry, has proposed \$2 trillion in long-term spending, a figure the Massachusetts senator's campaign calls exaggerated. But the cost of the new tax breaks and spending outlined by Bush at the GOP convention far eclipses that of the Kerry plan.

Bush's pledge to make permanent his tax cuts, which are set to expire at the end of 2010 or before, would reduce government revenue by about \$1 trillion over 10 years, according to administration estimates. His proposed changes in Social Security to allow younger workers to invest part of their payroll taxes in stocks and bonds could cost the government \$2 trillion over the coming decade, according to the calculations of independent domestic policy experts.

And Bush's agenda has many costs the administration has not publicly estimated. For instance, Bush said in his speech that he would continue to try to stabilize Iraq and wage war on terrorism. The war in Iraq alone costs \$4 billion a month, but the president's annual budget does not reflect that cost.

Bush's platform highlights the challenge for both presidential candidates in trying to lure voters with attractive government initiatives at a time of mounting budget deficits. This year's federal budget deficit will reach a record \$422 billion, and the government is expected to accumulate \$2.3 trillion in new debt over the next 10 years, the nonpartisan Congressional Budget Office reported last week.

The president has had little to say about the deficit as he barnstorms across the country, which has prompted Democrats and some conservative groups to say Bush refuses to admit there will not be enough money in government coffers to pay for many of his plans.

Although a majority of voters say they are concerned about the deficit, most view Kerry as only marginally better able to deal with it than Bush, according to polls. And Bush often invokes the Sept. 11, 2001, terrorist attacks in justifying the mounting governmental red ink. The president's aides, ever cognizant of his father's failure to articulate a convincing vision, said it was crucial for Bush to offer an ambitious new plan for the coming four years, despite the surge in government borrowing.

Bush-Cheney campaign spokesman Steve Schmidt said the new proposals "are affordable, and the president remains committed to cutting the budget deficit in half over the next five years," although last week's CBO report indicates that goal may not be attainable.

The White House has declined to provide a full and detailed accounting of the cost of the new agenda. The administration last week provided a partial listing of the previously unannounced proposals, including "opportunity zones," that totaled \$74 billion in spending over the next 10 years. But there was no mention of the cost of additional tax cuts and the creation of Social Security private accounts. Discussing his agenda during an "Ask the President" campaign forum in Portsmouth, Ohio, Bush said Friday that he has "explained how we're going to pay for it, and my opponent can't explain it because he doesn't want to tell you he's going to have to tax you."

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Some fiscal conservatives who are dismayed by the return of budget deficits found little to cheer in the president's convention speech. Stephen Moore, president of the conservative Club for Growth, said that Bush's Social Security plan was money well spent by saving the system in the long run, but he added that Bush "has banked his presidency on the idea that people don't really care about the deficit, and he may be right."

"He's a big-government Republican, and there's no longer even the pretense that he's for smaller government," Moore said.

Kerry cited the deficit figures as fresh evidence that Bush's tax cuts were reckless and that he is taking the country in "the wrong direction."

The administration has been secretive about the cost of the war and the likely impact that the bulging defense budget and continuing cost of tax cuts will have on domestic spending next year. The White House put government agencies on notice this month that if Bush is reelected, his budget for 2006 may include \$2.3 billion in spending cuts from virtually all domestic programs not mandated by law, including education, homeland security and others central to Bush's campaign.

But Bush has had little to say about belt-tightening and sacrifice on the campaign trail. Nor has he explained how he would reconcile all his new spending plans with the mounting deficit.

Jason Furman, Kerry's economic policy director, said that Bush "wants to hide the true costs of his plan" and that taxpayers "would be shocked" to find out what he was really advocating.

"The Bush team has gotten a lot of traction with the point that the Kerry numbers and rhetoric don't add up," said Kevin A. Hassett, director of economic policy studies at the conservative American Enterprise Institute. "It behooves them now to demonstrate that theirs do."

In his acceptance speech in Madison Square Garden on Sept. 2, the president called for the expansion of health savings accounts, which provide tax breaks for families and small businesses; creation of new tax-preferred retirement savings accounts; and creation of lifetime savings accounts, which allow tax-free savings for tuition, retirement or even everyday expenses.

The "Agenda for America" also includes increasing testing and accountability measures for high schools and opportunity zones to cut regulations and steer federal grants, loans and other aid to counties that have lost manufacturing and textile jobs -- a clear appeal to swing states such as Michigan, Ohio, Pennsylvania and West Virginia.

Bush has also promised to "ensure every poor county in America has a community or rural health center" and "double the number of people served by our principal job training program and increase funding for our community colleges."

A number of Bush's initiatives could have a big price tag. An estimate from the Social Security actuary's office, included in the 2001 report of a Social Security commission appointed by Bush, put the cost of adding private accounts to the government retirement program at \$1.5 trillion over 10 years. With inflation, the figure would now be about \$2 trillion. Much of the expense comes from continuing to pay most retirees at current benefit levels, at the same time that some payroll taxes are being diverted to the stock and bond market.

Although advocates of partial privatization contend that the transition can be financed without cutting benefits or raising taxes, the estimates mean the president's agenda could cost even more than the Bush projections of Kerry's proposal. Hassett, the AEI economist, said private accounts would lower the long-term cost of Social Security. "If you pay a few trillion in transition costs over a decade, then maybe the system doesn't go bankrupt," he said.

Bush also called for making permanent his tax cuts, which the administration has estimated at \$936.2 billion to \$989.75 billion over 10 years. The tax cuts include elimination of the inheritance tax, reductions in the top four income tax rates, an increase in the child tax credit, reduction in the marriage penalty, and cuts to the capital gains and dividend tax rates.

Robert Greenstein of the liberal Center on Budget and Policy Priorities put the figure for extending the tax cuts at \$2 trillion over 10 years and said other tax breaks Bush mentioned in his speech -- mostly related to health care -- would likely cost \$50 billion to \$100 billion over the next decade.

Another expensive part of Bush's agenda is the expansion of health savings accounts and creation of lifetime and retirement savings accounts. The new accounts are designed to have minimal cost in the first 10 years but have very large costs in the long run because they provide tax breaks when the money is withdrawn rather than up front.

The Congressional Research Service has estimated those two types of accounts would eventually cost \$30 billion to \$50 billion a year.

Peter R. Orszag, a senior fellow in economic policy at the Brookings Institution, said a conservative estimate for the cost of Bush's permanent tax cuts and Social Security accounts would be about \$4 trillion over 10 years. But Bush's agenda was vague and did not include details of how he would add Social Security accounts.

"It's hard to cost out rhetoric," Orszag said.

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